

**Item 1 – Cover Page**

**Part 2A of Form ADV  
Brochure for:**

**Ferro Investment Management, LLC**

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**April 17, 2014**

**This Brochure provides information about the qualifications and business practices of Ferro Investment Management, LLC (“FIM” or the “Firm”). If you have any questions about the contents of this Brochure, please contact the Firm at the address listed above. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Ferro Investment Management, LLC is a registered investment adviser with the SEC. Registration of an investment adviser does not imply any certain level of skill or training.**

**Additional information about FIM is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2 – Material Changes**

This Brochure was prepared for FIM’s initial registration with the SEC.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes.

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## Item 4 – Advisory Business

### A. Description of the Advisory Firm

Ferro Investment Management, LLC (“FIM”), a Florida limited liability company, is an investment adviser formed on August 10, 2010. Jeffrey Ferro and Dennis Ferro are the principal owners and Managing Members of FIM.

### B. Types of Advisory Services

FIM provides investment advice and management to a privately placed investment fund (the “Fund”) of which it also serves as the general partner, and to separately managed accounts (“Separate Accounts”) for other pooled investment vehicles and high net worth individuals. FIM may decide in the future to sponsor, manage or advise additional privately placed investment funds or separate account clients (such clients, including the Separate Accounts and the Fund, the Firm’s “Clients”).

Each Client’s offering memorandum, limited liability company agreement, subscription documents, and any investment management or advisory agreements (“Constituent Documents”), set forth the Client’s strategy and scope of FIM’s advisory services. Generally, FIM strives to generate superior long-term capital appreciation in varying market conditions by investing in a number of investments identified through a systematic approach to stock selection.

The Fund offers limited partnership interests (“Interests”), as applicable, to certain qualified investors (“Investors”) as described in response to Item 7, below.

### C. Client Tailored Services and Client Imposed Restrictions

Advisory services are tailored to achieve Clients’ investment objectives. Generally, FIM has the authority to select which and how many securities and other instruments to buy or sell without consultation with the Clients or their investors.

### D. Wrap Fee Programs

FIM does not participate in wrap fee programs.

### E. Amounts Under Management

FIM manages the assets of the Clients and has the following assets under management:

Discretionary Amounts:	Non-Discretionary Amounts:	Date Calculated:
\$11,158,000	\$0	April 16, 2014

## Item 5 – Fees and Compensation

### A. Fee Schedule

The fees and compensation payable to FIM are negotiable and vary among its Clients. However, the range of compensation is generally as follows:

#### 1. Management Fee

From the Fund, FIM typically receives a monthly asset-based management fee calculated as a percentage of each Investor's capital account, payable monthly in arrears. The management fee is generally 1.5% (0.125% per calendar month).

#### 2. Incentive Allocation

From the Fund, FIM generally receives an incentive allocation equal to a percentage of the net income allocated to each investor for the year, but only to the extent net income allocated to that investor exceeds any cumulative losses that were allocated to that investor for earlier periods and that have not been recovered (a "high water mark"). This incentive allocation is generally 20% and is typically made at the end of each calendar year.

The incentive allocation will only be charged to accounts of those Investors or Clients who are "qualified clients" as defined in Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "Advisers Act").

From Separate Accounts, FIM generally receives fees comparable to those paid by the Fund; however, fee structures are subject to negotiation and may vary from those paid by the Fund.

#### 3. Fee Comparison

The expenses of the Client, including the management fee and incentive allocation, may constitute a higher percentage of average net assets than would be found in other investment vehicles.

### B. Payment of Fees

Management fees, incentive allocations, and third-party fees (discussed below) are generally deducted from Client assets. Management fees, which are paid in arrears, are withdrawn at the end of the month. Incentive allocations are allocated as of the last business day of the calendar year and as of any date on which an Investor makes a withdrawal or receives a distribution from such Investor's capital account(s). Arrangements with Separate Accounts may vary.

### C. Third-Party Fees

The Clients generally shall pay such costs and expenses as FIM shall reasonably determine to be necessary, appropriate, advisable or convenient to carry on its business and realize its objective, including but not limited to: (i) management fees; (ii) all general investment expenses (i.e., expenses which FIM reasonably determines to be directly related to the investment of the Client's assets); (iii) all administrative, legal, accounting, auditing, record-keeping, tax form preparation, compliance and consulting costs and expenses; (iv) fees, costs

and expenses of third-party service providers that provide such services; and, (v) any extraordinary expenses, among other expenses. Investors should refer to the Fund's or a Separate Account's Constituent Documents for a full disclosure of costs and expenses that may be borne by the Clients.

FIM's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the Clients. Such charges, fees and commissions are exclusive of and in addition to FIM's management fee, and FIM shall not receive any portion of these commissions, fees, and costs.

Please see Item 12 of this Brochure regarding brokerage.

**D. Proration of Fees**

FIM will generally pro-rate the management fee for Interests held for less than a full month. Arrangements with Separate Account Clients may vary.

**E. Outside Compensation for the Sale of Securities**

Neither FIM nor its supervised persons accept compensation for the sale of securities or other investment products outside of its association with FIM.

**The foregoing discussion in Item 5 represents FIM's basic compensation arrangements. The management fees and incentive allocations described above are structured to comply with Rule 205-3 under the Advisers Act and applicable state laws. Fees and other compensation are negotiable in certain circumstances and arrangements with any particular investor may vary. Although FIM believes its fees are competitive, lower fees for comparable services may be available from other investment advisers.**

## **Item 6 - Performance-Based Fees and Side-By-Side Management**

As discussed in Item 5.A., FIM generally receives an incentive allocation equal to a percentage of the net income allocated to each Investor or Separate Account Client for the year.

Differences in FIM's compensation arrangements with its Clients, particularly if some Clients were to pay higher performance-based compensation, could create incentives for FIM to manage Client portfolios so as to favor those portfolios of Clients paying higher performance-based compensation, as could FIM's ownership interest (e.g., as the general partner) in the Fund's account. Notwithstanding these conflicts, FIM will allocate transactions and opportunities among the various client accounts it manages in a manner it believes to be as equitable as possible, considering each account's objectives, programs, limitations and capital available for investment, but even accounts with similar objectives will often have different investment portfolios.

The incentive allocation may provide a possible incentive for FIM to make riskier or more speculative investments on behalf of a Client than it might make otherwise. Notwithstanding

this potential incentive, FIM will evaluate investments in a manner that it considers to be in the best interest of its Clients, given those Clients' investment objectives, investment strategies, suitability of the investment, and risk profile.

### **Item 7 – Types of Clients**

FIM provides investment advice and management to a private investment fund that it sponsors and to separately managed accounts for pooled investment vehicles and high net worth individuals.

FIM may in the future provide the same or similar services to other privately placed investment funds and/or separately managed accounts.

In the case of the Fund, FIM intends to restrict the number of investors and will offer interests only through non-public transactions in order to maintain the Fund's exclusion from "investment company" status under the Investment Company Act of 1940, as amended (the "Investment Company Act").

Prospective Investors in the Funds must meet eligibility criteria, and are subject to certain withdrawal requirements and limitations. Prospective Investors are encouraged to thoroughly review the Fund's Constituent Documents, which set forth all of the terms in detail. Each Investor generally must be an "accredited investor" (as defined in Regulation D under the Securities Act of 1933), a "qualified client" (as defined in Rule 205-3 under the Investment Advisers Act of 1940, as amended), and must meet other criteria as specified in the Constituent Documents. The minimum initial investment is \$250,000, subject to waiver at the discretion of FIM.

Generally, similar terms will apply to Separate Accounts, though such Separate Accounts may have terms that differ or are more favorable than those for the Fund.

### **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

#### **A. Methods of Analysis**

FIM's primary method of analysis is quantitative analysis using data feeds and screening software; financial newspapers and magazines; inspection of corporate activities; research materials prepared by others; corporate rating services; timing services; annual reports, prospectuses, filings with the SEC; and company press releases.

#### **B. Investment Strategies**

FIM's investment objective is to generate superior long-term capital appreciation, in varying market conditions, by investing in a number of investments identified through a systematic approach to stock selection. FIM may employ margin borrowings and, in addition to common stock, may invest Client assets in a broad range of securities and other instruments including, without limitation, options, preferred stock, and cash equivalents.

FIM intends Clients' net market exposure to be neutral but potentially variable depending upon market moves between scheduled rebalancing. Although FIM focuses on equity and equity related securities that are publicly traded, it may pursue a diverse range of investments and trading strategies.

FIM intends to sell short and use margin borrowings and other leverage techniques to achieve the most efficient use of capital. FIM may cause a Client to buy or sell (write) options, both publicly traded and over-the-counter, covered and uncovered, on securities and securities indices. FIM may cause a Client to engage in futures and other derivative transactions, typically for hedging of existing long and short positions, but also, in the discretion of FIM, as independent profit opportunities. FIM does not intend to invest a significant portion of Client assets in one or more of the following: illiquid securities, including privately placed equity (of public and private companies), defaulted debt, bank debt and trade claims, bonds (convertible and non-convertible), other fixed income investments, and senior and subordinated tranches of asset-backed pools. For Clients' long and short positions, FIM employs a systematic approach to ranking a company's equity verses peers on key characteristics that have been identified as indicators of positive or negative stock performance.

C. Risks of Investments and Strategies Utilized

**Investing in securities involves risk of loss that Clients and investors should be prepared to bear.**

Investment and trading risk factors may include:

**General Investment and Trading Risks.** Clients may invest in securities and other financial instruments using strategies and investment techniques with significant risk characteristics. The investment program utilizes such investment techniques as option transactions, margin transactions, short sales, forwards, leverage and derivatives trading, the use of which can, in certain circumstances, maximize the adverse impact to which a Client may be subject.

**Equity Investments.** Clients' equity investments may involve substantial risks and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. There are no absolute restrictions in regard to the size or operating experience of the companies in which Clients may invest (and relatively small companies may lack management depth or the ability to generate internally, or obtain externally, the funds necessary for growth and companies with new products or services could sustain significant losses if projected markets do not materialize). Equity prices are directly affected by issuer specific events, as well as general market conditions. In addition, in many countries investing in common stocks is subject to heightened regulatory and self-regulatory scrutiny as compared to investing in debt or other financial instruments.

**Small- and Mid-Cap Risks.** Securities of small-cap issuers may present greater risks than those of large-cap issuers. For example, some small- and mid-cap issuers often have limited product lines, markets, or financial resources. They may be subject to high volatility in revenues, expenses and earnings. Their securities may be thinly traded, may be followed by



fewer investment research analysts and may be subject to wider price swings and thus may create a greater chance of loss than when investing in securities of larger-cap issuers. The market prices of securities of small- and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large-cap issuers.

**Commodities and Derivative Investments.** The prices of commodities contracts and derivative instruments, including futures and options, are highly volatile. Payments made pursuant to swap agreements may also be highly volatile. Price movements of commodities, futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the commodities underlying them. In addition, Client assets are also subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties.

**Highly Volatile Markets.** The prices of financial instruments can be highly volatile. Price movements of forward and other derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Clients are also subject to the risk of failure of any of the exchanges on which their positions trade or of its clearinghouses.

**Use of Leverage and Financing.** A Client may pledge its securities in order to borrow additional funds for investment purposes. Any event which adversely affects the value of an investment by the Client would be magnified to the extent the Client is leveraged. The cumulative effect of the use of leverage by a Client in a market that moves adversely to the Client's investments could result in a substantial loss that would be greater than if the Client were not leveraged.

**Hedging Transactions.** While a Client may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Client than if it had not engaged in any such hedging transactions. For a variety of reasons, FIM may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent a Client from achieving the intended hedge or expose the Client to risk of loss.

**Derivatives and Hedging.** Derivatives are financial instruments or arrangements in which the risk and return are related to changes in the value of other assets, reference rates or indices. A Client's ability to profit or avoid risk through investment or trading in derivatives will depend on FIM's ability to anticipate changes in the underlying assets, reference rates or indices.

**Short Selling.** Short selling involves selling securities which are not owned and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Client of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position are available for purchase at or near prices quoted in the market. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

**Limited Diversification.** Investments may be primarily focused geographically in North American countries. Furthermore, broad diversification of investments in number or by industry or geography is not a primary investment of FIM. This limited diversity could expose clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those investments.

**Non-U.S. Securities.** Investments in securities of non-U.S. issuers pose a range of potential risks which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, political or social instability, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding securities of non-U.S. issuers, and non-U.S. issuers may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. issuers.

**Asset-Backed Securities.** The underlying assets and loans for asset-backed securities ("ABS"), those that are backed by consumer debt, are subject to prepayments that shorten the securities' weighted average life and may lower their returns. If the credit support or enhancement is exhausted, losses or delays in payment may result if the required payments of principal and interest are not made. The value of these securities also may change because of changes in the market's perception of the creditworthiness of the servicing agent for the pool, the originator of the pool, or the financial institution providing the credit support or enhancement.

**Net Cash.** FIM may cause Clients to hold a significant portion of their portfolios in cash and cash equivalents. This may result in Clients' investment results underperforming market indices, or a portfolio which is 100% invested without any net cash holdings.

**High Risk Investments.** While investments in companies in certain industries offer the opportunity for significant capital gains, such investments involve a high degree of business, financial, technological and regulatory risk, which can result in substantial losses. Moreover, a Client's portfolio may include investments particularly subject to increased risk, because they are in companies at an early stage of development, which have been or may go into bankruptcy, acquired as leverage buyouts subject to interest rate fluctuations, or engaged in highly competitive industries dominated by companies with substantially greater resources.

As a result, Clients may experience substantial volatility and potential for loss. FIM believes its investment program and research techniques moderate this risk through a careful selection of securities and other financial instruments. However, no guarantee or representation is made that the program will be successful.

**Brokerage Commissions/Transaction Costs.** During some periods, Clients' activities may involve a high level of trading, and the turnover of Client portfolios may generate substantial transaction costs. These costs will be borne by the Client regardless of its profitability.

**Possibility of Losses Associated with Proprietary Investment Activities.** FIM utilizes a proprietary investment screening process and may cause Clients from time to time make or maintain proprietary investment positions in securities. Market fluctuations and other factors may result in substantial losses which may not have been possible had such a proprietary screening process not been used. Although FIM believes such investment screening process is proprietary, it cannot guarantee that the confidentiality of such process will be maintained, that it gives FIM a competitive advantage or that other investment managers do not employ the same or similar practices in their investment programs.

**Information Sources.** FIM select investments for Clients based in part on information and data that the issuers of securities file with various government agencies or make directly available to FIM or that FIM obtains from other sources. FIM is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not readily available.

**Stock Index Futures.** Using stock index futures for hedging involves several risks. Price movement in the stock index and price movements in the securities that are the subject of the hedge do not always correlate. Positions in futures contracts may be closed out only on the exchange on which they were entered into or through a linked exchange, and there is no secondary market for those contracts. In addition, there may be no active market for the contracts at any particular time. Some exchanges do not permit trading in particular contracts at prices that fluctuate more than a set limit in any day. If prices fluctuate during a single day beyond those limits, Clients may not be able to liquidate unfavorable positions promptly and may lose money.

More information about the Client's investments and the associated risk factors is available in the Constituent Documents.

**The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment with FIM. Prospective Investors and Clients should read the entire Brochure as well the Constituent Documents, other materials that may be provided by FIM and consult with their own advisers prior to engaging FIM's services.**

### **Item 9 – Disciplinary Information**

FIM and its management persons have not been a party to any legal or disciplinary events that would be material to a Client's or prospective Client's evaluation of its investment advisory business or the integrity of its management.

### **Item 10 – Other Financial Industry Activities and Affiliations**

A. Registration as a Broker-Dealer or Broker-Dealer Representative

Neither FIM nor its management persons are registered as a broker-dealer or broker-dealer representative.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor

Neither FIM nor its management persons are registered as futures commission merchant, commodity pool operator, or a commodity trading advisor.

C. Relationships Material to this Advisory Business and Possible Conflicts of Interest

There are no other relationships or arrangements that are material to this advisory business.

D. Selection of Other Advisors or Managers

FIM does not utilize nor select other advisors or third party managers. All assets are managed by FIM.

### **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

A. Code of Ethics

FIM has adopted a Code of Ethics (the "Code") pursuant to Rule 204A-1 under the Advisers Act. The Code governs the activities of each member, officer, director and employee of FIM (collectively, "Employees"). FIM holds its Employees to a high standard of integrity and business practices that reflects its fiduciary duty to the Client. In serving its Client, FIM strives to avoid conflicts of interest or the appearance of conflicts of interest in connection with the personal trading activities of its Employees and Client securities transactions. When persons covered by the Code engage in personal securities transactions, they must adhere to the following general principles as well as to the Code's specific provisions: (a) at all times the interests of Client must be paramount; (b) personal transactions must be conducted consistent with the Code in manner that avoids any actual or potential conflict of interest; and (c) no inappropriate advantage should be taken of any position of trust and responsibility. Employees covered by the Code have certain trading restrictions and reporting obligations of their personal securities transactions. Each Employee is provided with a copy of the Code and must annually certify that they have received it and have

complied with its provisions. In addition, any Employee who becomes aware of any potential violation of the Code is obligated to report the potential violation to the Chief Compliance Officer.

FIM will provide a copy of its Code of Ethics to Clients and prospective Clients upon request. Such a request may be made by submitting a written request to FIM at the address on the cover page to this Brochure.

**B. Recommendations Involving Material Financial Interests**

Neither FIM nor its related persons recommends to Clients, or buys or sells for Client accounts, securities in which FIM or a related person has a material financial interest.

**C. Investing Personal Money in the Same Securities as Clients**

FIM's policies and procedures generally prohibit its Employees and related persons from trading in the same instruments that FIM buys or sells for Client accounts.

**D. Trading Securities At/Around the Same Time as Clients' Securities**

As discussed above, neither FIM, its Employees, nor related persons of FIM may buy or sell securities for themselves at the same time that FIM also trades in these securities for a Client's account.

## **Item 12 – Brokerage Practices**

**A. Factors Used to Select or Recommending Broker-Dealers**

FIM will always have discretion as to the placement of brokerage (and accordingly, the commission rates paid). In selecting brokers to effect portfolio transactions, FIM considers such factors as price, quality of execution, expertise in particular markets, the ability of the brokers to effect the transactions, the brokers' facilities, reliability, reputation, experience, financial responsibility in particular markets, familiarity both with investment practices generally and techniques employed by clients and certain brokerage or research services ("soft dollar items") provided by such brokers and clearing and settlement capabilities, subject at all times to principles of best execution, in accordance with FIM's policies and procedures. In selecting broker/dealers to execute transactions, FIM need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. FIM believes that the broker-dealers that it recommends provide competitive transaction and custody costs, helping clients to eliminate or control costs and optimize the custodial structure to the benefit of account holders. When possible, FIM seeks to pre-negotiate preferred terms for its Clients providing Clients with the benefits associated with the economy of scale and custodial knowledge of the firm.

Certain brokers utilized by FIM may provide general assistance to FIM, including, but not limited to technical support, consulting services, and consulting services related to staffing needs. In selecting a broker, FIM may consider the broker's general assistance and consulting

services. To the extent FIM would otherwise be obligated to pay for such assistance, it has a conflict of interest in considering those services when selecting a broker.

1. Research and Other Soft Dollar Benefits

FIM currently does not anticipate receiving research or other products or service other than execution from a broker-dealer or third-party in connection with Client securities transactions ("soft dollar benefits"). However, in the future, FIM shall have the right if, in good faith, it considers it to be in the best interest of the Client and consistent with FIM's obligations to do so, to enter into "soft dollar" arrangements with one or more broker-dealers. All "soft dollar" arrangements will fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act, as that safe harbor is currently interpreted by the Securities and Exchange Commission. If in the future FIM obtains "soft-dollar" benefits, this Brochure will be appropriately amended.

2. Brokerage for Client Referrals

FIM does not consider, in selecting or recommending broker-dealers, client referrals from a broker-dealer. FIM may receive referrals in the future and if it does it will appropriately amend this Brochure.

3. Directed Brokerage

FIM does not accept direct brokerage arrangements with respect to the Fund it sponsors. Securities transactions are executed by brokers selected by FIM in its discretion and without the consent of the Client or its Investors. FIM may enter into directed brokerage arrangements in its discretion.

With respect to Separate Accounts, such Clients may direct brokerage, but in such cases, FIM has not negotiated the terms and conditions of the broker's service terms (including, but not limited to, commission rates); in this case, FIM does not have responsibility for obtaining the best prices or particular commission rates with or through any such broker, and the Client may not obtain rates as low as it might by following FIM's recommendations.

B. Aggregating Trading for Multiple Client Accounts

FIM may (but is not required to) combine orders on behalf of one Client account with orders for other Client accounts for which it or its principals have trading authority, or in which it or its principals have an economic interest. When it does, FIM will generally allocate the securities or proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants. FIM believes combining orders in this way will, over time, be advantageous to all participants. However, the average price could be less advantageous to a Client than if that Client had been the only account effecting the transaction or had completed its transaction before the other participants. Because of FIM's relationship to the Clients it manages by virtue of its position as an investment manager, there may be circumstances in which transactions for those entities may not, under certain laws, regulations and internal policies, be combined with those of some of FIM's and its affiliates' other Clients, which may result in less advantageous execution for those Clients.

FIM may place orders for the same security for different Clients at different times and in different relative amounts due to differences in investment objectives, cash availability, size of order and practicability of participating in “block” transactions. The level of participation by different Clients in the same security may also be dependent upon other factors relating to the suitability of the security for the particular Client.

In addition, FIM and/or its related persons or Clients may buy or sell specific securities for its or their own account that are not deemed appropriate for Client accounts at the time, based on personal investment considerations that differ from the considerations on which decisions as to investments in Client accounts are made. Where execution opportunities for a particular security are limited, FIM attempts in good faith to allocate such opportunities among Clients in a manner that, over time, is equitable to all Clients.

### **Item 13 – Review of Accounts**

A. Frequency and Nature of Periodic Review and Who Makes Those Reviews

FIM reviews Client accounts on a daily basis to ensure consistency with the Clients’ strategies and performance objectives. Asset allocation, cash management, market prospects and individual issue prospects are considered. The reviews are conducted by either Jeffrey Ferro or Dennis Ferro.

B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

Reviews may take place more frequently if triggered by economic, market, or political conditions.

C. Content and Frequency of Regular Reports

Investors in the Fund will generally receive unaudited reports of performance monthly and will receive audited year-end financial statements annually. Frequency of reports may vary for Separate Account Clients.

### **Item 14 – Client Referrals and Other Compensation**

A. Economic Benefits Provided by Third Parties

FIM does not receive any economic benefit, directly or indirectly from any third party for advice rendered to the Client.

B. Compensation to Non-Advisory Personnel for Client Referrals

Currently, neither FIM nor its related persons directly or indirectly compensate any person who is not advisory personnel for Client referrals. If in the future FIM enters into such arrangements, this Brochure will be appropriately amended.

### **Item 15 – Custody**

To the extent that FIM is the general partner of the Fund, it is considered to have “custody” of the Fund’s assets. FIM will satisfy the SEC’s custody requirements by placing Fund assets with a qualified custodian and providing Investors with audited financial statements by a specified time each year.

### **Item 16 – Investment Discretion**

The Constituent Documents generally authorize FIM to invest and trade the Clients’ assets in a broad range of investments, to be selected at FIM’s sole discretion, with no specific limitations as to type, amount, concentration, or leverage. Further, FIM may enter into any type of investment transaction and employ any investment methodology or strategy it deems appropriate, consistent with the Fund’s or the Separate Account’s Constituent Documents.

Pursuant to the Clients’ Constituent Documents, each Investor in the Fund and each Separate Account Client designates FIM as its attorney-in-fact to execute, certify, acknowledge, file, record and swear to all instruments, agreements and documents necessary or advisable to carrying out the Clients’ business and affairs. An Investor’s execution of the Fund’s subscription agreement constitutes its execution of the Client’s governing documents.

### **Item 17 – Voting Client Securities**

The responsibility for the exercise of proxy voting authority with respect to Client securities will be defined in the Client’s Constituent Documents. With respect to Separate Accounts, this responsibility will generally belong to the Client. As part of their agreements with custodians, Clients will direct custodians to send all necessary proxy voting materials and notices directly to the Clients from the custodians holding such securities. Clients, after reviewing such proxy materials, can then decide and vote proxy voting issues in their own best interest.

With respect to securities owned by the Fund, FIM may exercise voting authority over Fund proxies. As such, FIM has adopted proxy voting policies and procedures in accordance with Rule 206(4)-6 of the Investment Advisers Act of 1940, as amended. The policies require FIM to vote proxies received in a manner consistent with the best interests of the Client.

The policies also require FIM to vote proxies in a prudent and diligent manner intended to enhance the economic value of the assets of the Clients. However, the policies permit FIM to abstain from voting proxies in the event that the Clients’ economic interest in the matter being voted upon is limited relative to the Clients’ overall portfolio or the impact of the Clients’ vote will not have an effect on its outcome or on the Clients’ economic interests.

Although many proxy proposals can be voted in accordance with FIM’s proxy voting guidelines, some proposals will require special consideration, and FIM will make a decision on a case-by-case basis in these situations. Where a proxy proposal raises a material conflict



between FIM's interests and the interests of the Clients, FIM will seek to resolve the conflict in the best interest of the Clients. Clients may obtain a copy of FIM's complete proxy voting policies and procedures upon request. Clients may also obtain information from FIM about how FIM voted any proxies on behalf of their account(s).

### **Item 18 – Financial Information**

FIM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy petition.

A. Balance Sheet

FIM does not require nor solicit prepayment of more than \$500 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this Brochure.

B. Financial Condition

FIM has discretionary authority over Clients' assets. At this time, neither FIM nor its management persons have any financial conditions that are likely to reasonably impair its ability to meet contractual commitments to Clients.

C. Bankruptcy Petitions in Previous Years

FIM has not been the subject of a bankruptcy petition in the last ten years.

### **Item 19 – Requirements for State-Registered Advisers**

FIM is registered as an investment advisor with the U.S. Securities and Exchange Commission and therefore does not need to include responses pertaining to state-registered advisers with this Brochure.